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E.O. 12958: DECL: 07/17/2033
TAGS: [PGOV](#) [EAGR](#) [ECON](#) [EINV](#) [ELAB](#) [PHUM](#) [AR](#)
SUBJECT: ARGENTINA: VP COBOS VOTES AGAINST KIRCHNERS IN AG
EXPORT TAX TIEBREAKER

REF: A. BUENOS AIRES 0973
[1](#)B. BUENOS AIRES 0963
[1](#)C. BUENOS AIRES 0943 AND PREVIOUS

Classified By: ADCM Doug Climan for reasons 1.4 (b) & (d).

[1](#)1. (C) Summary: After 18 hours of debate, Argentine VP Cobos broke a 36-36 tie in the Senate with his vote against the government's bill sanctioning the increase in agricultural export duties it had unilaterally announced March 11. The agricultural sector welcomed the news, although the congressional vote leaves in place the March 11 resolution. The GOA is now under intense pressure to repeal or modify the export tax regime, but it has not yet indicated how it will proceed. Cobos's dramatic vote against the government's proposal launched speculation about his prospects in the Kirchner administration. A few hours after the vote, Cobos announced that he did not intend to resign as he was elected by the people to serve as vice president. The Casa Rosada, meanwhile, has remained hermetically silent, although the President is anticipated to address the Senate vote at a previously scheduled airport inauguration in Chaco province on July 17 at 1900 local. The Senate vote is a stunning reversal for the Kirchners, who as recently as seven months ago seemed to have two-thirds of the votes in both houses of Congress. The congressional defeat, in tandem with the Kirchners, sharp drop in public opinion polls as a result of their handling of the farm crisis, has politically weakened the Kirchners. With almost three and a half years remaining in Cristina Fernandez de Kirchner's (CFK) administration, the question remains whether and how CFK can rebuild her political capital and recover momentum. End summary.

[1](#)2. (SBU) The Kirchner administration's unilateral March 11 tax hike triggered a farm protest that over the last 127 days has turned into the most serious challenge to the political hegemony enjoyed by Nestor (NK) and Cristina Fernandez de Kirchner (CFK) since NK took office in May 2003. When CFK announced June 17 that she was submitting the tax hike to the Congress for its approval, NK quickly turned the issue into something of a vote of confidence for the government. This may have seemed a safe bet at the time. In the immediate wake of the October 2007 elections, it appeared that the Kirchners had two-thirds support in both houses of Congress. In tandem with the Kirchners' sharp drop in public opinion polls (from a peak of 56% to a recent 20%), they also seem to have lost support in Congress and within their own ruling coalition. In the Chamber of Deputies, the GOA proposal barely squeaked by July 5 with a 129-122 vote. The conventional wisdom was that the Kirchners would have an easier time in the Senate. On July 17, after 18 hours of debate, the Senate tied at 36 to 36, forcing VP Julio Cobos to break the stalemate after the bloc leaders, Senator Miguel Angel Pichetto (Peronist Party-PJ) and Senator Ernesto Sanz (Radical Party-UCR), rebuffed Cobos's request for adjournment

to reach a consensus on the main points of disagreement. Earlier in the day, Cobos reportedly tried to convince Chief of Cabinet Alberto Fernandez to adjourn the debate, without success.

¶3. (C) Cobos, a former governor of Mendoza, is not a member of the Kirchners' Peronist Party but a life-long activist in the UCR. He was one of many "Radical K" governors and mayors who have allied themselves with the Kirchners and was picked as CFK's running mate in an effort to lend credibility to the Victory Front's (FPV) claim that it was a cross-cutting ("transversal") alliance. In the seven months since taking office, Cobos has occasionally expressed minor differences with the Kirchners. As the farm crisis intensified, however, Cobos's discomfort with the process and substance of the tax hike, and his sympathies for the agricultural sector, became evident. The weekend of June 15, he released a public letter calling for the GOA to shift the locus of the farm conflict to the legislature by sending Congress the tax rates for its approval. It was Cobos's public invitation -- as well as intimations that the Supreme Court might rule against taxes that had not been authorized by Congress -- that seemed to induce CFK into her June 17 announcement that she would seek congressional approval.

¶4. (C) Argentine legislators have long been known for being more responsive to their political bosses than to their voters. The intensity of the nationwide uproar and the insistence of farmers in opposing the tax hike apparently forced many legislators to reconsider their priorities. In the July 5 vote in the Chamber of Deputies, the government managed a 129-122 victory with some last-minute bargaining and concessions to congressional holdouts. It was widely

expected that similar tactics would ensure at least a narrow victory in the Senate as well.

¶5. (SBU) All 72 Senators spoke during the 18-hour debate. At 4:25 in the morning, a weary-looking and nervous Cobos announced his vote after speaking for 40 minutes. In his emotional remarks, Cobos explained that he was expressing his conviction and did not believe that the bill is a reason to put the country's stability and social peace in danger. He said he wanted to continue being the vice president of all Argentines, adding that he believed CFK would understand him because he does not believe that this law resolves the conflict. In his final remarks before announcing his vote, he said history would be the judge, begging forgiveness should his vote be a mistake.

What's Next on the Export Tax

¶6. (SBU) While a dramatic reversal for the government, the Senate vote does not repeal the controversial variable export tax regime implemented on March 11 (Resolution 125), which the government has always insisted it had the authority to implement under existing legislation. The variable export tax regime remains in place until it is abrogated or modified by the GOA or struck down by the courts, according to constitutional law expert Daniel Sabsay. Given the Senate's vote, he opined that the Executive branch should abrogate the former resolution and return to the status quo before the resolution took effect on March 11. Otherwise, he indicated that farmers could easily seek redress in the courts demanding reimbursement for the taxes paid in excess since March 11. He rejected the possibility of a new debate of the executive bill in the Congress, saying that the Senate's vote implies a total rejection of the bill. According to Article 81 of the national Constitution, a bill that has been rejected (as opposed to modified) by the Senate, loses parliamentary status, and cannot be considered again by the Congress in either chamber until next year, he explained.

¶7. (C) The GOA has not announced how it will respond to the vote, however, it is highly likely that it will be forced to repeal or modify the variable tax regime. NK announced

during the pro-government rally on July 15 that the government would respect the decision of the Congress, although the government at the time expected to win the vote.

Repeal of the measure would lower the export tax on soybeans from the current rate of 47 percent (the rate changes every day) to the 35 percent export tax in place prior to the implementation of Resolution 125. The government may also modify the measure to establish an export tax between these two rates, although any move to maintain an export tax above 35 percent would provoke a major reaction from farm groups.

18. (SBU) Farm leaders welcomed the surprise victory, but have been quick to emphasize that the variable export tax (which covers soybeans, sunflower, wheat and corn) is not the only issue they have with the government. They continue to be concerned about government restrictions on export of beef, dairy, wheat and corn, and will be seeking a comprehensive policy to address support for other agricultural products.

Where Does Cobos Go From Here?

19. (SBU) Speaking to the press on July 17, Cobos appeared relaxed and asked Argentines to remain calm. He denied rumors that he would resign, and asserted that if CFK asked for his resignation, it would not be good for the institutionalization of Argentine democracy. Cobos called the crisis a "social, not political" crisis, and expressed concerns that the predicament had precipitated "threats of civil war" and that "he wanted peace now." He stressed that his decision was based on what is good for democracy. When asked by the press if the Kirchners would understand his decision, Cobos replied that he hoped the Kirchners understand, and then appeared to correct himself when he stressed that he hoped CFK understands the decision. He said, "CFK has a chance to begin a new stage." Cobos also indicated that he had not spoken with the President and was going to Mendoza, his home province.

Comment

10. (C) The tie in the Senate caught most by surprise. Major media outlets delayed publication of hardcopy papers to rewrite their cover stories. Passage had been considered a done deal for several days, with TV channels showing tickers that forecasted a 37-35 vote in favor of the bill during live coverage of the Senate debate. However, by 11:30 pm on 16 July, Argentine television was predicting a dramatic tie would ensue. Although the Kirchners most likely believed the vote would never come to this, they undoubtedly feared that Cobos would break with the administration and vote against the bill. In recent weeks, Cobos had angered both CFK and her husband by speaking out in favor of the farmers, holding unsanctioned meetings with provincial governors, and suggesting that the Congress vote on the controversial variable export tax regime in the first place. In addition, he did not attend the July 15 pro-government rally organized by NK. At the event, former Vice President and current Governor of Buenos Aires Province Daniel Scioli noted "the institutional responsibility of the vice president" which many interpreted as a warning to Cobos to stay in line.

11. (C) Despite such warnings from the Kirchner camp, Cobos appears to have made political gains in recent weeks for his independent stance throughout the farm dispute, and it is likely that his vote in Congress will further boost his approval ratings. Just last week, Cobos's approval was significantly higher than the Kirchners with 37.5 % in a July 9 poll indicating they viewed Cobos "positively," 23.5 percent "regularly," and only 6.8 percent "negatively." This situation will likely earn him greater public support, possibly helping to buttress him against any pressure by the Kirchners to get him to resign. Earlier this month, Senate Majority leader Miguel Angel Pichetto's publicly suggested that Cobos resign if he voted against the administration.

Cobos's attempts to reassure the public that he would not resign appear to be a move to preempt such calls for his resignation. Nevertheless, his political future remains unclear. Cobos was referred to as the "Satanic Doctor No" on today's front page of Pagina 12, which is widely considered to tout the official line.

¶12. (C) The vote represents a major defeat for the government and could signal the beginning of greater checks and balances on the CFK administration's power. The Congress had been marginalized in recent years but unexpectedly found itself at the center of attention in the last four weeks as it took up the tax legislation. Emboldened by this experience, the Congress may begin asserting itself on questions of national policy, which would be good for Argentina's democratic institution building. It is interesting to note that Cobos, opposition leader Elisa Carrio, and Senators who voted against the CFK administration have emphasized that the vote does not represent a threat to CFK's presidency. They insist that it is a positive development in the institutionalization of Argentine democracy and an opportunity for CFK to start anew. How CFK responds to the defeat will set the direction for the remaining three and a half years of her administration. The GOA maintains the ability to restrict exports and could use this power to punish the rural sector for the defeat, although this would be highly risky and divisive for Argentina. CFK is scheduled to speak on July 17 at 1900 local time at an airport inauguration in Chaco province, where she is widely anticipated to take this opportunity to indicate whether she will seek the high or the low road.

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